Informal Networks-What matters?
On policy networks and the new institutionalism in organization theory

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Note: This paper is based on a first draft for a research project on informal policy networks, not research results.
Introduction
Politics is the result of negotiations between actors. Ideally the negotiations are conducted between politicians, public employees and representatives of organizations in an open setting with the common good as the main goal. Mostly (?) negotiations take place between actors internally bound by knowledge, kinship and/or economic self-interest. Decisions are made on the basis of particular interests and the possibilities for profit and status increase. This paper argues that these relations in politics are better analyzed through the merged concepts of Policy Networks and The New Institutionalism in organization theory.

Corruption, clientelism, informal networks and other forms of unreasonable personal bindings within the political sphere are popular themes within politics and political science these days. We recognize that although this is politics not compatible with the ideals of modern democracy, we find personal, informal networks everywhere. Research on these topics is considered useful as informal personal networks in politics are regarded having negative consequences on the legitimacy and efficiency of the public as being a hindrance for economic and political development (Heidenheimer et.al. 1993). At the same time, because of their diffusion, studying the functions of these networks through space and time is of substantial interest (Piattoni 1998).

Informal networks can be defined as interorganizational relations between the public and the private. Networks are regarded quasi organizations as they are expected to inhibit some amount of regularity and durability. Networks defer from organizations by degree of formalization of relations and by type of coordination. The concept of informal networks is about private actors participating in decision making processes not subjected to majority control (Grote 1997). Aggregation and mediation of interest is of coarse important in all politics, but the ways it’s done, the criteria for obtaining acknowledgement of ones interest, is very different between political systems. What influences on these differences, we ask.

In search for a model of explanation I came across the idea of policy networks and network analysis. The approach is intriguing. The idea of an approach to policy that takes into account that policy processes are not wholly contained within formal institutions of government was just what I needed. I sow a way out of the trap where informal networks were to be explained solely as functions of the formal system or by political culture as some kind of mental
condition. Then, as many other scholars before me, reading the literature lead me straight into total confusion on what the policy network approach really was all about.

The literature flowing down from this insight is now so extensive that is has spawned several published reviews...the literature has become bogged down in conceptual ambiguities definitional disputes, and proliferation of typologies (Wolman 1994).

It is hard to find an understanding of networks that brings with it more than pure description of one special system. Nor does the approach carry with it a theoretical foundation that incorporates an explicit model of the actor and her alternative courses of action.

This paper is about finding a way of defining policy networks that captures the essence of the phenomenon of informal networks, merging this with a theoretical foundation on social behavior. For me the most obvious theoretical foundation is the new institutionalism. Yet another blurred theoretical concept. I will go via the concept of social networks, policy networks, the new institutionalism in organization theory, embeddedness, and even Norwegian business networks, to show how they can be understood to be a perfect match and a good analytical tool for the phenomenon of interest. On the ground level the merged concept is about the preconditions for network building, a theoretical foundation for networking. On a different level it can provide us with an explanation of the different extent of informal networks in polities. It is about networks as social institutions.

The policy network approach

The concept of policy networks originally developed as an antidote to formal institutional descriptions of the policy process that proved unsatisfactory. The point made was that the policy process had to be understood as involving actors in the private as well as the public sector. The approach is at it’s best less a theory or perspective so much as a theoretically-neutral attempt to introduce a new and significant analytical concept into the study of the policy making process.

The one thing all scholars engaged in the debate over policy networks agree on is that policy networks exist, operating as links between actors in the field of policy. The rest is all differences. First the literature can be split into an American, a European and a British
approach (Marsh 1998). Further one can place the literature along a dimension based upon whether quantitative or qualitative methods are applied to the study, whether policy networks are perceived of in terms of a particular typology of interest or, alternatively as a specific form of government. Different scholars have different views on the relationship between state and society, and base their analysis of policy networks on different models of these relationships: pluralist, corporatist, elitist. These opinions, or findings, manifest themselves in studies of ”issue networks” or ”policy communities” or something in between. Last, but not least, all approaches can be divided along the line where policy networks are regarded as structures, or patterns of resource exchange (Marsh 1998).

The concept of policy networks has to be viewed in the light of the broader theoretical concept of social networks and network analysis. Politics is basically interaction between actors. Though the conception of networks is of newer date, the ideas it is founded in has deep roots in social science history. The expression itself, social networks, is credited to John Barnes and his essay on social coordination patterns in a small Norwegian parish (Barnes 1954). In his study Barnes stresses how individual positions in networks create meaning and feelings of belonging that also determines behavior in other situations. Barnes found in his study that the structural aspects of society, like capital structure and assets, did not provide a sufficient description of social life. Neither did the geographical limits of social interaction. He introduced the concept of social networks to describe the co-operative actions that have continue their existence even when we remove the groups and interacting channels that are closely connected to the territory and the industrial systems.

The idea of networks also lead us back to Radcliffe-Brown (Marsden 1991) and structural functionalism. He stresses the importance of regarding individuals in the setting of the group and the social relations they are part of. All humans are tied to others through a complex network of relations. Together these relations are what Radcliffe-Brown calls a social structure. The argument is that single elements must be regarded as part of a bigger entity, and he stresses the importance of how the social units or systems attend certain functions in society.

A rational explanation of networks is found in transaction cost analysis. TCA is a term used to describe several different theories within social science. TCA regards individuals as rational actors and different forms of cooperation and social integration are viewed in the light of
transaction processes. TCA stresses how individuals cooperate in order to realize their interests and preferences. The approach regards the primary goal of the social interaction process to be relations that are advantageous to one self. The anthropologist F. Barth and his use of process analysis is an example (Barth 1963) of such a view on social interaction. In his (ed.) book the focus is on the rational reflecting individual. Change is perceived on in terms of the actors’ ability to make judgments that contributes to the dynamic and changeable element of social structure. The grounding of process analysis is to reveal the rationality in the single decisions that constitute totality.

A basic assumption within network analysis is that the behavior and attitudes of individual actors are affected by network membership. This is what Granovetter calls embeddeness (Granovetter 1985). He stresses the connection between social relations and economic activity, his point being that the economic actors’ attempts at purposive action are embedded in concrete ongoing systems of social relations. Embeddedness can be described as a tool to decompose strategic action:

When the social situation of those nonprofit labor markets is fully analyzed, their behavior looks less like the automatic application of “cultural rules” and more like a reasonable response to their present situation….when their position and ambitions in intrafirm networks and political coalitions are analyzed, the behavior is easily interpreted (Granovetter 1985:506)

This focus on networks as a source of social support leads us to analyze the importance of integration into social communities and the ways this can affect behavior. This has generated new research focusing on network building, which has become a network school of its own. Networks as organizational coordination is about inter-organizational and inter-firm relations. Networks are regarded a distinct form of coordination of economic activity in opposition to market and hierarchy. Inter-firm networks are a special, lasting and structured set of autonomous firms working together in products and services based on open and informal contracts (Gargiulo & Gulati 1999), or strategic cooperation to minimize transaction cost. The same lines as the social network approach divide the sub-discipline of business and inter-firm networks.
Within the literature on policy networks one can see the division being the focus on micro, meso or macro respectively\(^1\). The rivalry answers to different research projects and the concept of “policy networks” and “policy community” stands central. The division between micro and macro can be posed multiple ways. One way is along the lines of actor-structure, where the micro-macro link question refers to how existing social structures pattern individual action and how individual action aggregates into social structures. The other relevant way of seeing the question, is along the lines of sectoral or sub-sectoral levels of study.

Micro approaches are oriented towards individual actions and theory on human behavior. Micro approaches can be exemplified by the “policy networks” concept where the criteria for network growth can be traced back to properties and features in the interactions between individuals. The glue that holds networks together is found on the micro-level. This school has its roots in anthropology something that is expressed in the focus on inter-human relations and the significance put on norms and culture. The school has its “head office” in the American literature. Overall the American literature emphasizes the micro-level, dealing with personal relations between key actors rather than structural relations between institutions. They recognize the existence of close relationships and accept that these networks can affect policy, but they deny that such an arrangement pose a threat to democracy (Marsh 1998). Dowding (1994) is one representative of this school. He claims that to use the network as a key explanatory variable we need to integrate a bargaining model of individual interaction and game theory, because the driving force in networks are the characteristics of components within the network and not the network characteristic per se. Of coarse the criticism directed against this school is the lack of structure in the approach. Networks involve structures as well as patterns of interaction between agents (Marsh 1998). One can also critizise this school with reference to the generalisability of the approach. Analysis of “personal networks” will demand detailed knowledge and make comparison difficult, as make drawing lines from unique to universal impossible.

Macro-level analysis focus on state theory and the relations between state and civil society. This is also a macro focus in the sense that it’s essentially structural and downplays the importance of actors. The “school” can be attached to the British tradition on policy networks. The British literature builds for a large part on Heclo and Wildavskys work adopting the idea

\(^1\) The never ending story in the social sciences.
of a “policy community”. They suggest that such arrangements are the key to understanding most policy making in stable liberal democracies (Marsh 1998). Most important in the British literature however is the work of Rhodes and Marsh (1992). They see networks as structures of resource dependency and the contributions to their edited collections (1992) emphasize the structural links between the interest involved in the networks (Marsh 1998). The structure of networks is seen as effecting policy outcomes. Network change is most likely a result from changes in economy, politics or knowledge. Criticism against this school is then off coarse that actors and their ability to make rational decisions disappear from the scene.

Policy networks as a meso concept is best related to Rhodes’s central-local relations where he studies “the game in which both central and local participants maneuver for advantage deploying their constitutional-legal, organizational, financial, political and informal resources to maximize their influence over outcomes” (1992:182). Here policy networks are structures of networks and the patterns of interactions between them. With this model one looks only for network building in an aggregated level, and the concept can be regarded as a superstructure for mapping the relations between state and society. The meso focus is then found both in the theoretical understanding of the role of networks and in the way he locates policy networks in between central and local government agencies. Despite the claim about “meso-level” theorizing, the explanatory work is largely done at the micro-level in terms of properties of the actors and not in terms of properties of the network (Dowding 1995).

Also, in the Rhode’s approach, ‘policy networks’ becomes a typology tool. Different scholars have used the concept this way and their approaches builds on different suppositions of the hallmarks of network relations within politics. This way one gets the argument that the term policy networks should be reserved for one special type of policy arrangement. Then policy networks becomes labeled with an empirical construction describing a special type of decision-making system.

In this literature the development of policy networks is explained as a new form of governance. Within this literature one finds e.g. the concepts of “issue networks” versus “policy communities” and the specification of a continuum within these opposite poles. Policy communities then are tight networks with few participants who share basic values and exchange resources. They exhibit considerable continuity in membership, values and outcomes. In contrast, issue networks are loose networks with a large number of members
with fluctuating access and significant dispute over values. There is little continuity in membership, values or outcomes (Marsh 1998). The variations are found in; Interest, membership, interdependence (vertical and horizontal), resources, differentiation, specialization and interaction. Depending on the scholar’s views on state-society relations one gets policy networks that are corporatist, elitist or pluralist. Interesting as the different findings are, they are only findings, not generalizable concepts. “You cannot have a theory about dogs which only applies to alsatians and not poodles, then study two dogs and conclude that one is more poodle-like and the other more alsatian-like. That is not is not a theory; it is a system of classification” (Dowding 1995:141).

*Adjusting the approach to the task*

In the European literature especially, modern society is seen as characterized by functional differentiation where private organizations get an increasingly important role in the formulation and implementation of policy (Marsh 1998). This is the biggest weakness of the literature. Focusing on policy networks as a special form of government, the function of networks and the constant linking towards modernization has made the concept less useful. The question of what policy networks is and how they are structured internally then becomes of secondary importance (Grote 1997). According to Grote better performance in terms of efficiency, compared to traditional modes of governance, is often normatively prescribed—it is assumed to exist a priori. Policy network approaches originally emerged because similarities in the area of informal relations were expected to be much stronger pronounced, if not altogether converging towards common patterns. In his view, the opposite assumptions seem more realistic. The structure of networks, being strongly contingent on and embedded into the state-society relations that characterize particular countries or territories, probably vary to a much higher extent than do these countries’ formal arrangements. This is really the most interesting question; what are the causes of the variation of informal network building?

Because of the definitional problems inhibited in policy network analysis “work in this tradition has yielded very little in the way of generalizable empirical research that has enhanced our understanding of the public policy process” (Wolman 1994:9). The main weakness is the lack of theory on human behavior inside the framework of analysis.
To be blunt about it, the literature concerning political subsystems remains rudimentary in terms of theory...There are no established patterns of multivariate relationships in subsystems and their impact on political behavior (Freeman & Stevens as quoted in Wolman 1994:9).

We need to refocus and ask what it is we really want to know. We wish to know who are the actors participating in political decision making processes and who have most influence. We need to study the nature of the interaction. And not least, we want to know the causes and consequences of the variations in informal networks among political systems.

Network analysis is studying the ways actors go about to order their lives - the patterns of interaction among them. Policy networks are social relations in the political sphere. They are about interest mediation, and action is constrained by the same rules as other social actions. The rules of the social action game have to be specified and theoretically justified. When we still want to stress the label of policy networks it is because that it is about politics, not e.g. family, and that context matters.

**The new institutionalism in organization theory**

To answer to the demands of theoretical justification of social action, three questions need to be offered an explanation:

- Why do networks come into existence?
- Why do networks change?
- Why are networks so persistent?

The questions were first posed by Blom-Hansen (1997). He saw the need to supply the concept of policy networks with a theory of action, and ended up with the new institutionalism. It’s just another form of new institutionalism. The derailment leads me further to outline the theory building concept. What is the new institutionalism and what is my understanding of it and its use as grounding for the concept of policy networks? The questions posed by Blom-Hansen though, still need to be answered.

Several different schools within social and political science have labeled their new approach “new institutionalism”. Economists regard institutions as rules for behavior (Ostrom 1986).
The historical institutionalists in political science view formal institutions as having independent influence on actor’s behavior (Thelen and Steinmo 1992). Sociology and organization theory regard institutions as taken for granted prescriptions on behavior (March and Olsen 1989, Powell and DiMaggio 1991). The only thing they have in common is the opinion that institutions matter. This paper sees linking the sociological institutionalism/the new institutionalism in organization theory to network analysis as an obvious strengthening of both approaches.

Institutional approaches claim that supra-individual entities should hold a principal explanatory position. “Exclusive use of such a collectivist mode, however, may lead toward such excessive explanations and chimerical notions as ‘ceremonial rules arise like the mist form the environment’, ‘the mission of history’ and ‘as soon as the capital feels strong’ (Grendstad 1995:8). On the other hand abandoning society as the unit of analysis does not commit one to follow the path of methodological individualism. There is something in between growing a beard and cutting ones head off. “In between society and the individual are ways of life that channel thought and behavior in often unintended and unanticipated directions” (Thompson et. al 1990:207). These ways of life are institutions that work as links between the individual and society, society and state.

The new institutionalists presuppose organization as important and institutions resisting change and reforms. Organization sets the rules for what path actions can follow. Behavior is constrained by what is considered to be normatively correct in relation to the tasks and commitment connected to specific roles. Prediction of organizational behavior and policy decisions depends on us understanding the processes that transform environmental influence and individual preferences into organization behavior (Olsen 1992).

The new institutionalism in organization theory and sociology comprises a rejection of rational actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supraindividual units of analysis that cannot be reduced to aggregations of direct consequences of individuals’ attributes and motives (DiMaggio and Powell 1991:8).

2 Even though there are differences between the approach as written by March and Olsen (sociology) and Powell and DiMaggio (organization theory) I here treat the two branches as one.
The new institutionalism emphasize that politics is more about making life coherent and meaningful than about aggregation of individual preferences and recourses. They reject the rational-actor models on the grounding of a theory of action containing the routine, unreflective and taken for granted nature of most human behavior.

The building blocks of the new institutionalism is inspired by Durkheim when he states that: “Our ideas about how the world works are derived from our social relations” (as quoted in Thompson et al. 1990). Social relations generate ways of perceiving the world that contribute to the maintenance of those relations. "Institutions systematically direct individual memory and channel our perceptions into forms compatible with the relations they authorize” (Douglas 1986:92). No act can be classified as in and of itself rational or irrational. “What is rational depends on the social or institutional setting within which the act is embedded” (Thompson et al. 1990:22). Institutions not only constrain options: they establish the very criteria by which people discover their preferences (DiMaggio and Powell 1991:11).

The theory holds institutions to be necessary vehicles for individuals to reduce uncertainty and to confer meaning on objects in situations. Institutions are considered a context within which individuals form preferences. The theory contains notions of cognition, myths, recourses and social relations. People act on their preferences within social institutions that are embedded in social history, path dependence. The institutions constrain the ways people act and make them choose the paths that will give back results confirming that the preferences the action was build on was correct. Preferences are intermediate variables affecting the choice (of policy). Policy networks are then our relations towards political processes and objects.

**Linkage**

Policy networks should be a tool to categorize and characterize relations between the public and the private in policy. One should develop a typology where policy networks are a generic term that encompasses the different types of relations between state and society one can imagine to arise ahead of policy decisions. Policy networks should be a meso level concept focusing on patterns of interest group intermediation. Networks should be treated as political structures, which both constrain and facilitate policy actors and policy outcomes. The
relationship between structure, networks and actors can be viewed as reciprocal. Actors change structures, while structure constrains actors. Networks mediate that relationship: “They are both constrained and changed by structure, while providing the structure within which actors bargain. As such bargaining and negotiative behavior changes the network, the relationships are constituted and constitutive” (Rhodes 1997:12).

The new institutionalism provides network analysis with a theoretical basis that encapsulates this dialectic. It gives network analysis a theoretical basis that accounts for human behavior within networks. It places the idea of networks safely in between the macro and micro level of analysis and opens up for a dialectical relationship between structure and action, individual and society. Focusing on the intermediate relation, the institutions, one does not loose out on either micro, the individuals making ends meet, or macro, the state and state-society relations.

Network analysis can provide institutional theory with an analytical tool and an empirically identifiable ”field” of analysis: ”A policy network includes an identifiable and policy-concerned set of public and private actors who depend on one another for resources such as information, expertise, access and legitimacy” (Marsh 1998:167). Formal network analysis helps us structure the theoretical ideas of human and organization behavior into empirically testable hypothesis and tools of analysis. It can be a tool by which to specify the conditions of network building. Furthermore different identifiable structural networks can be regarded as the limits of rationality and thereby give bounded rationality a “face”.

For the study of informal networks the perfect idea of a policy network is as a typology of interest mediation. Networks would then be defined as relational structures modeling these interest inter-mediations. This would enable us to compare informal networks across polities and policy sectors. Being a meso level concept, in the sense of linking individual and state, structure and action, it bridges micro and macro. The theoretical foundation being institutionalist we know that policy networks are path dependent, embedded in social relations.

3 “Only an account of networks capable of acknowledging the dialectical interplay between structure and agency in the practices and processes of networking would seem adequate to the task” (Hay in Marsh 1998). The task is to capture the specificity of network modes of coordination.

4 In sociometric analysis there has been developed more detailed concepts, variables and measurements.

5 About this: “While institutionalists have studied the fact of homogeneity and their mechanisms by which isomorphism is accomplished, they have not begun to study why the institutional arenas are patterned in the way they are or the conditions under which new institutional forms develop. In short, they do not have the theoretical tools by which to understand the institutional content whose diffusion they do analyze, or the conditions under which particular forms are institutionalized” (Friedland and Alford 1991:243-244).
and state history. Change is slow and seldom. Relations are the independent variable. Network analysis help us formalize the process of network formation, function and change. We can then answer the big question: “Where do interorganizational networks come from?”

Where do inter-organizational networks come from?

Often the formation of organizational networks is viewed as depending on exogenous factors such as an independent structure of resource dependence that faces organizations. In one end of a continuum what determines our choices of how to relate to each other is seen to be effectiveness. We seek to minimize transaction cost and increase self-benefit. Alliances will always be strategic and a way to meet with uncertainty. Rational actors that are having trouble making ends meet enter strategic alliances to cope with environmental constraints. In the other end of the continuum networks are regarded the result of exogenous pressures, giving no credit to the actors within networks and their preferences or battles. Networks came, they shape action, and that’s it. This would be the network analogy to structural functionalism. Exogenous approaches to inter-organizational relations consider ties-and the networks that emerge from them to be the dependent variable of the analysis. “(…) although social ties are viewed as crucial in influencing economic actions and outcomes of organizations, the creation of those ties is viewed as resulting from asocial, exogenous processes” (Gulati and Gargiulo 1999:5).

This would be what Granovetter (1985) calls the undersocialized and the oversocialized account in social science:

In the undersocialized account, atomization result from narrow utilitarian pursuit of self-interest, in the oversocialized one, from the fact that behavior patterns have been internalized and ongoing social relations thus have only peripheral effects on behavior…Under- and oversocialized resolutions of the problem of order thus emerge in their atomization of actors from immediate social context (1985:485).

To answer the criticism of both sides of the micro-macro, structure-action continuum one has to develop a double stranded view of social behavior. “One strand is cognitive: the individual demand for order and coherence and control of uncertainty. The other strand is transactional: the individual utility maximizing activity described in a cost-benefit calculus” (Douglas

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6 The title of a paper by Ranjay Gulati and Martin Gargiulo (1999). Originally it is about business networks.
1986:19). In the following I will try to outline an approach on the foundation put down. It is about networking, endogenous change and networks as an independent variable.

**A cost-benefit approach**

In the light of the individual utility maximizing activity described in a cost-benefit calculation networks establish on the basis of external pressure. The need for inter-organizational relations is then related to the awareness of interdependence with other organizations and results in attempts at coordination. Networks are results of the actors needs to control uncertain surroundings and satisfy resource needs. Economic calculations, risk and profit are the central aspects of study. What determine relations are uncertainty, expediency and the character of ones assets. An inter-organizational network then, is just one form of relation to help minimize transaction costs. Network building is a response to external uncertainty, and the actors can be expected to co-operate where they can, based on “economic” calculations and strategic evaluations of goal achievement. Interest mediating actors save costs of repeated efforts to gain access and influence by building a more permanent relation of trust and resource dependence. Administrators save cost on information collection and efforts to acquire assistance and co-operation (Van Warden 1992).

Clientelistic relations i.e. can easily be interpreted on the basis of transaction costs. Clientelism as a system of political integration, whereby votes and consensus are exchanged for policy or administrative decisions that favor specific individuals or groups selectively, is an informal network based on the exchange of favors. In the light of the external pressure at the time that the actors entered the contract, clientelism can be regarded a perfect rational response to a situation were a state does not respond to the needs of its citizens or an administrator is in need for resources and/or support. Clientelism can be regarded a dyadic relationship which contain all the incentives for their fulfillment (Graziano as quoted in Piattoni 1996). Group exchange relationships on the other hand, which are the fundament of rational, democratic administration, are much more complicated. They depend on (among other factors) the actors bestowing such high legitimacy onto the structure of collective exchange that they no more act on the base of immediate or differed rewards, but on the base of principle alone (Graziano as quoted in Piattoni 1996). To convince an actor to leave a dyadic relationship and enter into more complex group relationships, the incentives need to be
strong. If the actors cannot perceive an alternative route of action, then clientelism is rational political behavior. This view of the actors in a clientelistic game as being perfect rational individuals/organizations should be upheld. What cannot be explained within this framework of transaction cost though is the persistence of the relations.

The study of how the Norwegian Regional Development Fund failed at building business networks illustrates the problem at hand (Løvseth 2000). In an international context of growing uncertainty in the business arena where the number of inter-organizational alliances has grown at an unprecedented rate and with illuminating examples from the industrial districts i.e. Italy, the time had come were Norway too had to reorganize their small and medium sized businesses (SMB). The external pressure was obvious. Small firms in the Norwegian districts were loosing out both nationally and internationally. With relations between different firms being weak and with undisguised profit of co-operation, the Regional Fund and top economist argued that it was just a matter of teaching SMBs how to build strategic networks. The business network development program lasted 6 years and Norwegian governments spent 30 million $. The main goal of the program was to increase the potential and ability for growth, adjustments and profitability. The goal was to be reached through stimulating SMBs to forge strategic alliances and develop co-operation. The main instrument to obtain this goal was the financing of external consultants whose function was to work as a motivating power and to coordinate the established networks. It was stressed that co-operation was to find it’s ways through formalized and binding contracts. Competitive advantage was the main criteria in partner search. Geographically confined networks were discouraged. Good results were few, if any.

Had the Norwegian Regional Development Fund learned from the social scientist knowledge of relations, they would have realized that external pressure, or need, is not enough to change behavior. Emilia Romagna was often put forward as an example to follow. Had they learned from that region, they would have known that they could get better results by providing services to already existing informal networks though changing them slowly through the services they offered. Hardly anyone would dispute the fact that business networks increases profitability. No one would argue that small firms in Norway would be better off not co-operating. What the Norwegian program didn’t foresee was the risk of entering new relationships. This risk can be perceived as outweighing the benefits of co-operation. External
pressure could tell them to enter relations, but not *with whom* to build co-operative ties to overcome environmental constraints.

**Embeddedness**

A crucial problem facing organizations/actors that seek to form new ties is imperfect information. They do not know a priori which partners will best serve their interests. Imperfect information increases risk and regarding co-operation, the actor might be back where he started. TCA can tell us why actors go networking, but it cannot tell us with whom they should co-operate. Economic transactions are seen in an asocial context. In a social context, economic action-like any other form of action (political)- does not take place in a barren social context, but rather is “embedded” in networks of relationships (Granovetter 1985). Organizations facing uncertainty about potential partners are likely to resort to *existing* networks for information that lowers search cost and alleviates the risk of opportunism (Gulati and Gargiulo 1999).

The basic function of networks thus, is to be a source of information on the availability of prospective partners. The sources are not unlimited. The structure of the network, power relations, coherence, closeness, density etc., again a mirror of overall social structures and state-society relations, works to increase or decrease the amount of information available to the actors. Actors act rationally as they define problems and choose cooperation as a strategy, but their choices are constrained by limited information and their need for certainty when it comes to the trustworthiness of new relations.

The capacity of cohesive social relations to carry fine-grain information and to promote trust is what Granovetter describes as *relational embeddedness*. Relational embeddedness refers to the influence of the proximate ties of an actor. The probability that two organizations will build a partnership is a function of the intensity of the direct and indirect connections between the two members of the dyad (Gulati and Gargiulo 1999). Cohesion becomes the main point of study as it can be discussed as the capacity of social ties to carry information and to

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7 The ever returning problem in economic approaches
promote trust between actors (Granovetter 1985). Relational embeddedness answers to the fear of opportunistic behavior and strategic uncertainty.

It is trust that is the phenomenon of importance. Who we do not trust, we do not relate to. Trust can only be generated through interaction\(^8\). “Relations make behavior predictable and close off some of the fears that create difficulties among strangers” (Granovetter 1992:42). Indirect social ties can be a source of information about potential partners, something that increases the possibility of new ties, bigger and more open networks. A point stressing the strength of weak ties also within a polity. Networks, though being constrained, therefore have a great variety of potentials for expansion and development. Studying the relations of informal networks in political systems though, we know that the potential often is not cashed in on.

Adding one restriction to the rational individual utility maximization we have solved one puzzle, why networks are so persistent. As clientelism i.e. can be regarded rational behavior in certain situations, there should be no doubt that it can also be regarded as irrational behavior in the light of social change and changes in the state-society relations that first set the frames of reference. The reproduction of the system is irrational in and of itself. But in the light of *available information*, clientelistic relations are still rational responses to the situation. Who you know is what you know. As long as these relations work to minimize risk, as the actors know risks, relations will go on, or change very slowly.

*Structural embeddedness: The need for order and coherence*

The relations being described so far, though taking account of indirect ties are still very personal. Modern society and polities are very complex systems. How do we order relations to involve the actors that we do not know? Further, how do relations create values and preferences that combine with the structures they make? To answer to the demand of explaining the individuals’ need for order and coherence, we need to offer a more structural account. *Structural embeddedness* captures the informal role of the position an organization occupies in the overall structure of the network. Consequently, the frame of reference shifts

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\(^8\) Trust facilitates but is not equivalent to co-operation.
form the dyad and triad to the system (Gulati and Gargiulo 1999). The position an actor occupies in the structure is a function of the actor’s relational pattern in his networks. Status is the set of expected behaviors towards the actors in the network. “Status evokes a series of observable characteristics associated with a particular position, or “role”, in a social structure, that is, a relatively defined set of expected behaviors toward other actors” (Gulati and Gargiulo 1999:9).

This means that we can enlarge the realm of potential partners about which an actor can have a priori information beyond the circle of actors directly or indirectly tied to it. Within the sphere of politics, where networks work as channels of interest mediation, it is hard to imagine modern society to evolve out of pure interpersonal relations. Structural embeddedness is about how we are able to relate to the same kind of actors that we are used to. On the basis of structural embeddedness we can study networks from the positions different actors hold in the policy networks. The way one promotes interests in a polity can be viewed as interrelations between actors in a network embedded relationally by the need for trust and structurally by the position and status of the actors in the networks. Status shapes and constrains preferences and behavior through the expectations other actors in the network have towards the roles attached to that status. The actor’s behavior works to strengthen the expectations as these are fulfilled. The individuals need for order and coherence is met by self-fulfilling prophecies. Status then, is about how institutions shape thought and behavior.

*Genesis, order and change*

The idea of relational embeddedness is a logical prolonging to cost-benefit thinking. The idea must be the basis in an analysis of network genesis as we have to understand the motives of the actors as they enter relationships. We also want to underline the principle of humans as the only actors with strategic rationality. But within this frame we can not allow ourselves to forget that it is a universal phenomenon that people act to make ends meet, as interesting is how they do it (Thompson et.al. 1990), because it does vary. Structural embeddedness is more about how institutions structure thought and behavior. It is about the importance of social relations in human lives in the sense that relations help interpret reality. In institutionalized social relations it is “(…) not nature that makes the match, but society” (Douglas 1986:90). To
change these structurally embedded relations one would have to undermine one’s apprehension of right and wrong. That is not done every day.

Networks that are matched by a set of belief systems can be regarded as institutions. Institutions we know are persistent. The dynamic of embeddedness suggest that the actors search for partners may result in a path-dependence process in which the gradual production of a networks structure increases the information available to the actors, albeit also limiting the effective range of potential partners an actor is likely to consider. “(Actors) may thus become victims of their own history, restricting their searches for partners to a circle of socially “trustworthy” players, perhaps even at the expense of strategic considerations” (Gulati and Gargiulo 1999). The argument relate to Putnam’s argument in “Making democracy work” (1993). Institutions are shaped by history. They have inertia and robustness. Wright argues that,

To understand how and why policy networks operates, it is necessary to understand the ‘unwritten constitution’ which guides the behavior of the actors towards each other and influences the strategic deployment of their resources (as quoted in Raab 1992:70).

What we bring in is a theoretical basis of actors’ behavior.

Networks are not just games between actors where actor’s preferences facing exogenous hindrances determines action paths. Neither are they structures that directly influence actor’s spaces. Actors depend on each other, not an abstract society (Boissevain 1975:viii). Economic structures and state organizing work as pressures in networks, but as networks are institutionalized change, network dynamic, is mostly generated within the networks. Networks are the independent variable.

**Summing up**

I’ve examined the concepts of policy networks and the new institutionalism in organization theory to show how they can be regarded as complementary. I’ve taken the idea of embeddedness, inspired by theory on business networks, to show what an approach on the differences of informal network building might look like. The argument is that it is an approach more substantial than institutionalism and an approach where policy networks is a
universal term inhibiting interest mediation, thereby making comparison possible. At the same
time it carries with it a theory on human behavior.

Policy networks is an institution, within a superior system (state), where actors connect and
their actions determines the form and contents of the network, where the form and contents
work backward to shape thought and behavior. Policy networks on the micro, single unit,
level is about actor strategies in interest mediation and actors building relations, how and with
whom. This networking is situated within a social frame of state-society relations where
actors try to minimize the costs of transaction with the political system. Network relations are
a result of these processes but network relations have the institution’s persistence and ways of
regenerating themselves. To explain informal networks in a polity one need to “break down”
the social, historical situation where the actors were making up their minds about with whom
to relate to reduce costs. Policy networks therefor need to be put into a frame of state history
and the ongoing legitimization of the formal institutions on to which policy networks relate.
We then move on to analyze the structure of the network, power relations, cohesion,
information flow etc to study the setting in which networks as institutions are re-
institutionalized. Thus nation matter and institutions matter.

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9 Worth mentioning: Political culture is more than values and preferences. It is definitely more than morals and religion. Culture is structured behavior and political culture is about how we structure behavior towards political life, how we relate towards things political. It can be seen as coterminous to policy networks.
List of References


